

TEACHERS' RETIREMENT BOARD
EXECUTIVE COMPENSATION COMMITTEE

SUBJECT: Approval of Minutes of November 8, 2000

ITEM NUMBER: 2

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: February 7, 2001

INFORMATION: _____

PRESENTER(S): Chairperson

Please see the attached minutes of the November 8, 2000 meeting of the Executive Compensation Committee.

PROPOSED
MINUTES OF THE
EXECUTIVE COMPENSATION COMMITTEE
OF THE
CALIFORNIA TEACHERS' RETIREMENT BOARD
OPEN SESSION
WEDNESDAY, NOVEMBER 8, 2000
STATE TEACHERS' RETIREMENT SYSTEM
FIRST FLOOR BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA

BOARD MEMBERS PRESENT

George Fenimore, Chairperson

Gary Lynes

Marty Mathiesen

Emma Zink

Curt Robinson, representing Delaine Eastin, Superintendent of Public Instructions

Walter Barnes, representing State Controller, Kathleen Connell

Jennifer DuCray-Morrill, representing State Treasurer, Philip Angelides

Annette Porini, representing Director of Finance, B. Timothy Gage

STAFF PRESENT

James D. Mosman, Chief Executive Officer

Christopher J. Ailman, Chief Investment Officer

Chris Waddell, Chief Counsel

Peggy Plett, DCEO, Administration

Armando Hidalgo, Chief, Personnel

Mary Miles, Administrative Assistant

OTHERS PRESENT

Allan Emkin, Pension Consulting Alliance

A quorum being present, Chairperson Fenimore called the meeting to order at 2:30 p.m.

II. **APPROVAL OF MINUTES OF OCTOBER 11, 2000 MEETING**

MOTION duly made by Ms. Porini, seconded by Ms. Zink, and carried to approve the minutes of the October 11, 2000 meeting.

III. **ANNOUNCEMENTS**

There were no announcements.

IV. **EXEMPT PAY STRUCTURE**

Ms. Plett presented the proposed Incentive Pay Criteria for the Chief Investment Officer (CIO). Mr. Emkin, PCA, commented that the criteria's conceptual framework was still valid and recommended a few minor changes, including changes in the incentive

percentages. Mr. Mosman stated the proposed Incentive Pay Criteria contained in the agenda material had been modified to incorporate Mr. Emkin's recommendations.

Mr. Ailman distributed another proposal for the CIO Incentive Pay Criteria and suggested that the Committee not include the TUCS Universe as part of the criteria and the addition of measurements on leadership and management plan (peer review) to the Investment Branch.

MOTION duly made by Ms. Zink, seconded by Mr. Lynes, and carried to adopt the Chief Investment Officer Incentive Plan as recommended by Mr. Emkin, using a scale of one year of data for the CIO's first year of performance, then two years of combined data, and then three years of data combined in order to determine the incentive program. Ms. Porini and Mr. Barnes abstained.

Mr. Mosman reported the Chief Investment Officer has requested to delay any discussion on the portfolio managers' compensation until he becomes more familiar with the manager positions. Mr. Mosman speculated the item would be brought back to the Committee in June 2001.

Ms. Plett reported none of the exempt positions received the four percent cost-of-living adjustment approved for all State employees in September. Mr. Fenimore reported, based on a conversation with the Department of Personnel Administration (DPA), that CalSTRS could authorize an increase for those positions where there was room within their salary range. However, those positions with no room in their range, CalSTRS had no flexibility. The statewide salary program adjusted the base pay or the range for all other exempt positions, so what DPA was suggesting was inconsistent with the statewide salary program. Staff was directed to prepare a letter to DPA from the Board Chair requesting the four percent increase for all CalSTRS exempt positions and their rationale for any action taken.

V. **DRAFT AGENDA FOR THE NEXT EXECUTIVE COMPENSATION COMMITTEE MEETING**

Mr. Mosman presented this item.

VI. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC**

There were no statements.

VII. **ADJOURNMENT**

There being no further business to conduct, the meeting was adjourned at 3:05 p.m.

James D. Mosman, Chief Executive Officer
and Secretary to the Teachers' Retirement Board

George Fenimore, Chairperson